

HB 2065 / SB 143

Property Tax Exemption: Federal Land Under Recreation Facility

Joint Committee on Tax Expenditures

LRO | 3/17/2023



Current Property Tax Exemption

Purpose of tax exemption: The statute that allows this expenditure does not explicitly state a purpose. It acknowledges fees paid by permit holders to Forest Service, 25 percent of which is returned to counties. It also avoids administrative difficulty of valuing federal land with restrictions on land use.

- Exemption created in 1975 and was allowed to sunset on June 30, 2012
 - In 2013, SB 549 reinstated this exemption retroactive to tax year 2012-13 and set a sunset date of June 30, 2024.
 - Douglas County Board of Commissioners testified in support of SB 549 on behalf of Diamond Lake Lodge, Lemolo Lake Lodge, and Steamboat Inn. Others also testified in support of Diamond Lake Resort.
- Current use of exemption
 - No known use





Current Property Tax Exemption (cont.)

- In general, when public property is held under contract of sale or is leased to a private individual or business, it is subject to property tax.
- With this exemption, federal government land remains exempt from property tax when occupied and used by a commercial recreation facility that pays for a Special Use Permit to use the land.
 - Potential examples are ski resorts and lake marinas on federal land
- The land is exempt but all real and personal property improvements are taxable to taxpayer having possession of the property.
- Who benefits: Recreation facility operators that receive exemption and counties that receive 25 percent of permit fees





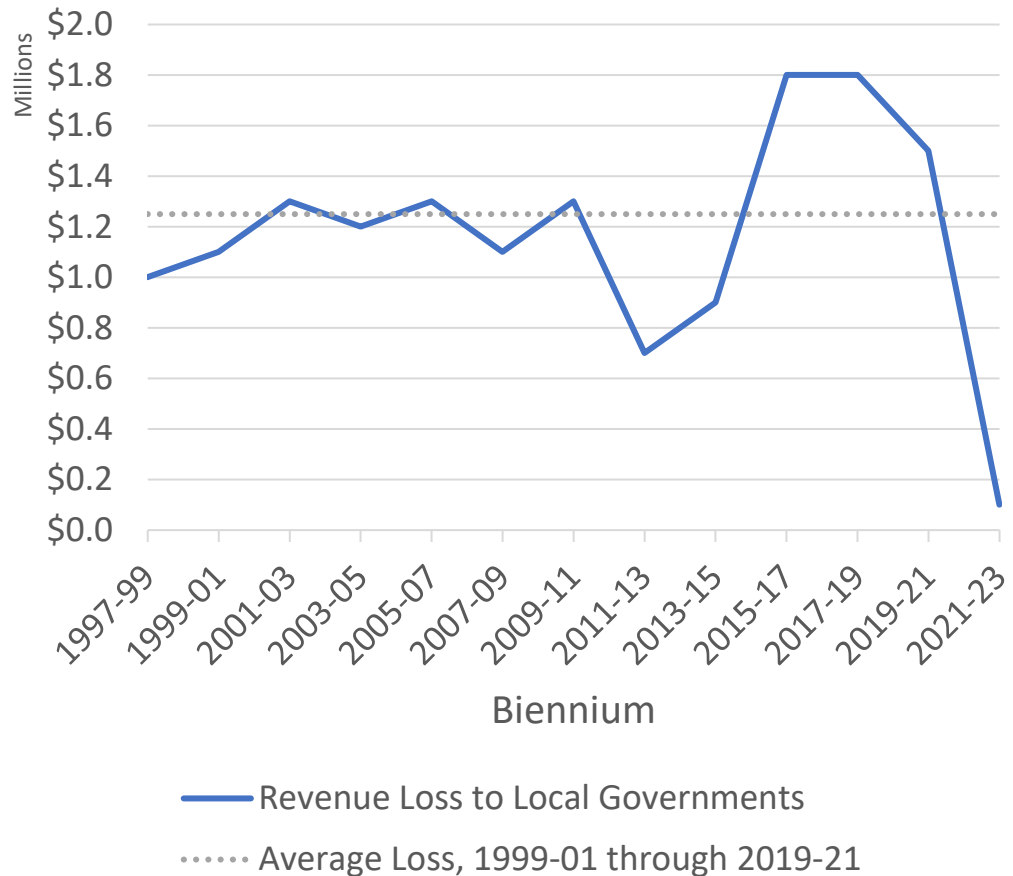
What SB 142 Does

- Moves sunset of Federal Land Under Recreation Facility property tax exemption by six years, from July 1, 2024 to July 1, 2030





Current use of exemption



- This land has not been assessed.
- Due to unreliable data from counties, DOR TER switched from using data provided by counties to forestland class value for federal government properties.
- In previous years, data DOR received from counties was believed to include property improvements. This is one reason why previous estimates were higher than in 2021-23. Exemption does not apply to improvements on real property
- "Significant drop from old method but potentially still an overestimate." (TER Methods of Estimating Revenue Impacts)
- Association of Oregon Counties did not identify any counties that receive Special Use Permit revenue





Policy Considerations

- There are no state direct spending programs that provide similar benefits.
- An advantage of tax exemption over a direct expenditure is there is no lost opportunity of funds committed to a project that is not constructed, nor is there any lost revenue.
- Cost of keeping an exemption with no known usage on the books



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